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In the Supreme Court of the United States

OCTOBER TERM, 1943.

No. 469

OIL CITY REFINERS, INC.,

Petitioner,

vs.

SOCONY-VACUUM OIL COMPANY, INCORPORATED,

Respondent.

PETITION FOR WRIT OF CERTIORARI
To the United States Circuit Court of Appeals
for the Sixth Circuit,
MOTION IN RE RECORD,
and
BRIEF OF PETITIONER
In Support of Petition.

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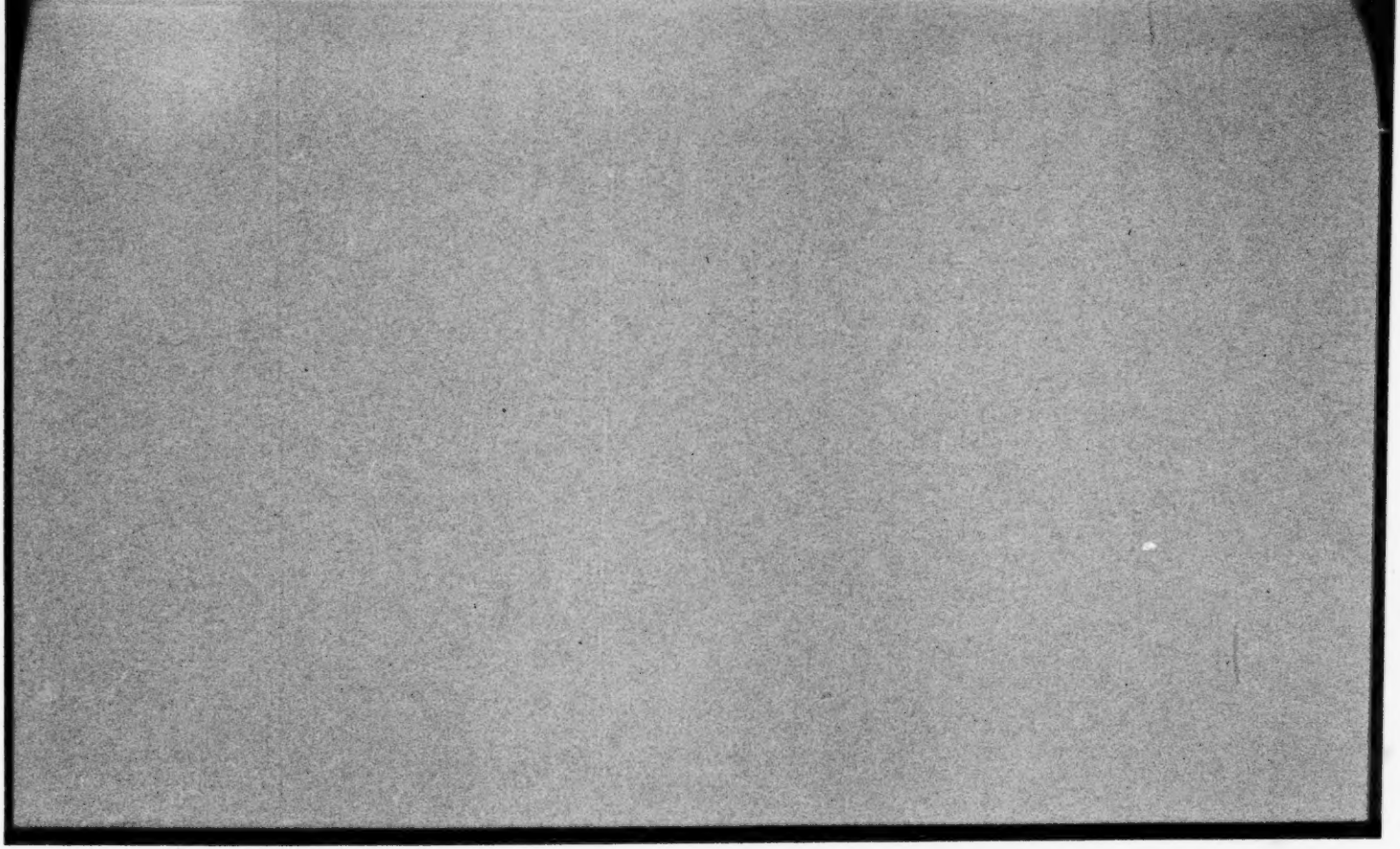

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Respondent.

PETITION FOR WRIT OF CERTIORARI
To the United States Circuit Court of Appeals for the Sixth Circuit.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

The petition of the Oil City Refiners, Inc., a corporation organized and existing under the laws of the State of Ohio, respectfully prays issue of a Writ of Certiorari to review the opinion of the Circuit Court of Appeals for the Sixth Circuit in Case Number 9336 in that court, wherein, the petitioner was appellant and had been defendant in the District Court. Respondent was appellee in Case Number 9336 in the Circuit Court of Appeals and was plaintiff in the District Court. Respondent herein is a corporation organized and existing under the laws of the State of New York.

Respondent filed a cross-appeal from the decision of the District Court, and the cross appeal was designated Case Number 9335 in the Circuit Court of Appeals. This petition, however, is directed only to that portion of the decision by the Circuit Court of Appeals which pertains to petitioner's appeal in case 9336.

SUBJECT MATTER.

This is a case involving the use of the fanciful design of a flying horse for a trade-mark as applied to the sale of petroleum products in the State of Ohio.

On March 15, 1940 respondent filed in the District Court for Northern District of Ohio, Eastern Division, an action against petitioner for infringement of a trade-mark registered under the Act of February 20, 1905, and invoked the jurisdiction of the court on the ground of the registration, and also on the ground of diversity of citizenship coupled with the requisite amount for conferring federal jurisdiction.

The complaint showed that certificate of registration was issued to respondent on August 15, 1911, as No. 83100, on the symbol of a flying horse without regard to color thereof as a trade-mark, that a certificate of renewal of said registration was issued on July 28, 1931, and that a second registration of a similar mark was issued to respondent on October 6, 1931, as No. 287746.

The first registration claimed use of the mark for naphtha and gasoline in Class 15, oils and greases, whereas the second registration claimed the mark for petroleum and products of petroleum with or without admixture of other materials, for illuminating, heating, power, burning, lubricating, greasing, tempering, quenching, slushing and flushing. At the time of issuance of each certificate of registration, respondent's name was—"Standard Oil Company of New York."

The Complaint, as amended, averred that respondent had, since on or about October 22, 1932, continuously used the symbol of a flying horse, red in color, and of lithe appearance, throughout Pennsylvania and Ohio, and avers that during the year 1937 petitioner adopted the symbol of a flying horse red in color and of lithe appearance substantially indistinguishable from respondent's flying red horse, and that such act of the petitioner constituted unfair com-

petition with respondent and an infringement of respondent's trade-mark.

Petitioner in its answer, as amended, denied Jurisdiction of the Court insofar as it was based on trade-mark registration, but admitted jurisdiction on the ground of diversity of citizenship and the amount in controversy. Petitioner admitted the sale of petroleum products under the symbol of a flying horse in the State of Ohio, but denied the sale of such products under that mark outside the State of Ohio. The answer admitted also that respondent had sold petroleum products throughout the State of Ohio under the flying red horse trade-mark, but denied that respondents use started as early as October 22, 1932. The answer further admitted that confusion in the trade had resulted from the concurrent use of the flying horse as a trade-mark by petitioner and respondent.

Petitioner filed a Counter-Claim with its answer and averred that long prior to October 22, 1932 it had been engaged in the sale of petroleum products in the State of Ohio and that it had adopted and used as its trade-mark the symbol of a flying horse; that it had spent large sums of money in advertising its product under that mark, so that the mark had become known as one designating goods which had their origin in petitioner.

The Counter-Claim further averred that petitioner had used the symbol of the flying horse as a trade-mark prior to the use thereof by respondent in the State of Ohio, and had used it in various colors, including the color red, and that by such use petitioner had acquired a common law right to the exclusive use of the flying horse as a trade-mark for oils and petroleum products in the State of Ohio, and that it was the rightful owner of the trade-mark for the State of Ohio.

The Counter-Claim additionally showed that petitioner had registered the symbol of the flying horse as its trade-mark with the Secretary of the State of Ohio, pursuant to

the provisions of the General Code of Laws of the State of Ohio Section 6240 (1 to 4 inclusive), and had claimed the use of the symbol of a flying horse in connection with the sale of oils and petroleum products. The Ohio registration was obtained after the Complaint was served, but before the Counter-Claim was filed.

The Counter-Claim additionally averred that in January, 1933 the petitioner first learned of respondent's use of the flying horse as a trade-mark, and thereupon gave notice in writing to respondent that such use was regarded as an infringement of petitioner's exclusive right to the use of the mark in the State of Ohio.

Petitioner additionally claimed that respondent's act constituted unfair competition as well as infringement of petitioner's trade-mark rights at Common Law in the State of Ohio.

Respondent's answer to petitioner's Counter-Claim admitted the sale by petitioner of oils and petroleum products prior to October 22, 1932; admitted the use by petitioner of the symbol of a flying horse as a trade-mark in various colors including red; admitted the Ohio registration by petitioner of the flying horse as a trade-mark; admitted receipt of the notice of infringement in January of 1933; admitted that there had been negotiations, conferences and correspondence between the parties, between that time and the filing of the complaint concerning petitioner's claim of infringement, but averred that following February 1st, 1933, and prior to October 1937, petitioner had abandoned any right that it might have had to the symbol of the flying horse, and that respondent relying upon defendant's silence and acquiescence and abandonment, spent large sums of money in establishing its right to the flying horse symbol as a trade-mark, and asserted that petitioner was barred by laches and estopped from asserting its Counter-Claim.

The District Court referred the case to a Special Master to take testimony and to report findings of facts and

conclusions of law, and after due proceedings which involved approximately 3,000 pages of testimony of approximately 60 witnesses for the petitioner, and 40 witnesses for respondent, and approximately 500 exhibits, the Special Master found (R. p. 50) as follows:

1. Respondent registered as a trade-mark the symbol of flying horse without regard to color, in 1911, and secured a certificate of renewal thereof in 1931; that respondent did not use the mark on any goods in the United States until October of 1932, but that respondent did use the mark on some of its products which were shipped abroad prior to October 1932.

2. That petitioner used the symbol of a flying horse as a trade symbol in the State of Ohio as early as 1930, and continued to use it thereafter until October 1934, when there was partial cessation at some of its stations until 1937, during which time petitioner marketed at some of its stations the products of The American Oil Company and The Columbia Refining Company, but that since 1937 petitioner has used the mark continuously at all of its stations.

3. The mark which petitioner used prior to the time when respondent began to use it in the United States was usually white in color, although there was some evidence of the use of a flying horse red in color. Petitioner did not restrict itself to the single flying horse but in its advertising on bill-boards, and station signs used the horses in multiple, sometimes representing them as a pair of horses, and sometimes as a series of flying horses in various colors ascending in an arc.

4. The respondent knew of petitioner's prior use of a flying horse as a trade symbol as early as January 1933, but at such time petitioner's horse was usually white and of somewhat less streamlined effect than that of respondent's horse.

5. That when petitioner, after partial cessation, resumed the use of the flying horse generally in September 1935, it did so with the knowledge that confusion would result, and that its use of the flying red horse symbol indicated an intention to appropriate to itself a part of respondent's good will and to mislead the public.

6. That petitioner registered the flying horse as a trade-mark in Ohio, after the Complaint was filed, but before the Counter-Claim was filed.

As to the conclusions of law the Special Master found (R. p. 52):

1. That in 1932 respondent did not have any right to the flying horse as a trade-mark in advance of its projection of use into the petitioner's territory, as against the prior right of the petitioner to use the mark therein, and that petitioner had made sufficient use of the symbol of the flying horse as a trade-mark prior to the time of the respondent's entry into the same territory, so that petitioner had acquired a right to use the mark as a trade symbol at the time when respondent first began to use it, to-wit in October, 1932.

2. That the difference in color between the red flying horse and the white flying horse would not in itself be sufficient to avoid confusion in the public mind, and that the rights of the respective parties as existed when the conflict arose were not affected by the fact that respondent's use was of the red flying horse symbol while that of petitioner's generally was white.

3. That petitioner's partial cessation did not amount to abandonment, and that petitioner was not guilty of laches in not asserting its claimed rights at an earlier date; but that nevertheless the resumption of use by petitioner, after respondent had built up a trade under the mark, and the final use by petitioner of a flying red horse to the exclusion of any other color were such as to indicate an inten-

tion to appropriate to itself a part of respondent's good will.

4. That the claimed difference in shape between petitioner's flying horse symbol and respondent's flying horse symbol was insufficient to avoid confusion.

5. That registration of the mark by respondent standing alone would have no effect upon petitioner's use of the mark in Ohio, and that respondent's use of the mark in the Far East, China, Japan, Australia and New Zealand would be insufficient to preclude petitioner's use of the same marks in Ohio, and that the parties were in agreement on such points.

Wherefore, the Special Master recommended that petitioner be permanently enjoined from using any symbol of a flying horse in any part of the United States, but recommended that there be no decree for an accounting.

Petitioner took numerous exceptions to the report of the Special Master (R. p. 54) but respondent took none. The exceptions principally were that the use of symbols by petitioner other than a flying horse, such as the figures of airplanes, a herd of running horses without wings, and a quartette of singers were not trade-mark uses, but were merely billboard advertisements which appeared from time to time, but that petitioner at all times since before respondent's infringement began, used only the symbol of the single flying horse on the dispensing pumps, and on the trucks in which the gasoline was transported.

Exception was also taken to the holding that defendant adopted the red color exclusively after 1937, because the evidence showed that even at the time of trial petitioner was still using the flying white horse on some of its station signs. (R. pp. 88 and 123.) An additional exception was to the conclusion that petitioner was guilty of unfair competition, whereas based upon the findings of fact, the respondent was guilty of willful and wanton infringe-

ment of petitioner's exclusive right to the use of the flying horse, regardless of color, in the State of Ohio.

The Special Master in recommending an injunction against petitioner did so on the theory that respondent, having spent more for advertising than did the petitioner, acquired a superior right to use it as against petitioner, basing his decision upon the rule of law governing descriptive or non-technical trade-marks.[1]

The District Court declined to follow the recommendations of the Special Master with respect to the issuance of an injunction against the petitioner from using any symbol of a flying horse, but did issue an injunction against petitioner's use of any flying horse outside the State of Ohio, and further enjoined the use of any flying horse except one white in color in the State of Ohio. In doing so the District Court found that respondent had an established right in the flying horse red in color by virtue of:

(a) Prior federal registration of the mark.

(b) Prior use of the mark abroad.

The District Court also found that petitioner had adopted the mark without any knowledge of respondent's prior use abroad, and that it is entitled to protection under *United Drug v. Rectanus*, 248 U. S. 90. The District Court however did not give to the petitioner the relief to which it was entitled under Ohio law.

The Court of Appeals affirmed the decision of the District Court but on a different ground. The Court of Appeals, after adopting the findings of the Master and District Court that Petitioner was the first user of the flying horse as a trade symbol in the State of Ohio, found that petitioner was not thereby relieved of respondent's charge of unfair competition, and that the confusion which peti-

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[1] *Jenny Mfg. Co. vs. Leader Filling Station Corp.*, 291 Massachusetts 398, 196 N. E. 852, 26 U. S. P. Q. 185. (R. pp. 30 and 48.)

tioner sought to abate was of its own creation. The Court of Appeals thereupon, without the benefit of the voluminous record made before the Special Master, but basing its findings on the reported findings of the Master, drew ultimate inferences and conclusions, and particularly concluded that petitioner refined its trade-mark and chose its color thereof to resemble more closely that of respondent, and that such action presumed a use thereof for the purpose of appropriating a part of respondent's business.

The Court of Appeals dismissed petitioner's Counter-Claim for infringement of Common Law rights in a technical trade-mark, and decided the case on respondent's allegation of unfair competition.

The District Court awarded costs before the Special Master and in the District Court to respondent, but the Court of Appeals required each party to pay its own costs in the Court of Appeals, and did not modify the judgment of the District Court as to petitioner's costs therein or before the Special Master.

Petitioner filed a petition for re-hearing in the Circuit Court of Appeals and endeavored to point out that that Court had treated this case as though the petitioner had been guilty of abandonment or laches, whereas the Special Master (R. pp. 44 to 47) and the District Court (R. p. 67) had found in favor of the petitioner on those points, and that no exception to the Master's report had been taken thereon by respondent. We pointed out additionally that the owner of a technical trade-mark owes no duty to use it in a manner that would not conflict with a color used by one who knowingly, wilfully and wantonly infringed the rights of the rightful owner after due notice thereof. We endeavored to show that no amount of use by a trespasser, regardless of what value the use may have to the trespasser, can rightfully deprive the owner of the right to an injunction against the trespass.

We attempted to show additionally that inasmuch as the petitioner sold no goods under the mark outside the

State of Ohio, respondent would have no right of action in Federal Court based on its registration, and that the Law of Ohio would govern the rights as between the parties, and that under the Ohio decisions the petitioner was entitled not only to the exclusive use of the mark in Ohio regardless of color, but was also entitled to an injunction and an accounting against the respondent.

The petition for rehearing called attention to the fact the petitioner did not create the confusion, but that the respondent created the confusion by imitating petitioner's trade-mark, and that the respondent, rather than the petitioner, was the perpetrator of a fraud. Notwithstanding the aforesaid, however, the Court of Appeals denied the petition for rehearing, without opinion.

JURISDICTION.

The opinion and order of the Circuit Court of Appeals were entered on June 22, 1943. Petitioner duly filed and presented a petition for rehearing (R. p. 275) which was duly considered by the Court and was denied on August 31, 1943. (R. p. 299.) This was the final order of the Court below, wherefore the time permitted for filing this petition extends to November 30, 1943.

The Statute under which jurisdiction is invoked is Section 240 (a) of the Judicial Code (28 U. S. C. A. 347 as amended). The opinions of the Special Master, of the District Court and of the Circuit Court of Appeals are part of the transcript of proceedings which are filed herewith pursuant to Rule 38.

QUESTIONS PRESENTED.

The questions presented by the decision of the Circuit Court of Appeals are:

1. Does the first user in Ohio of a technical trade mark, comprising a symbol of distinctive shape, in the absence of laches or abandonment, have a duty to refrain from using

that mark in Ohio in a color which is employed by an infringer over the protest of the first user, especially where the first user's previous use of the mark was sometimes in that color?

2. Does the first user in Ohio of a technical trade mark comprising a symbol of distinctive shape lose the right to prevent an infringer employing that mark in Ohio if the first user (who previously had used it sometimes in one color and sometimes in another) concentrates his activities on the color adopted by the infringer, after the infringer had entered the field over the protest of the first user?

3. Does the second user (respondent) in the State of Ohio of a technical trade-mark acquire a superior right, against the first user (petitioner) to use the mark over the protest of the first user, who, in good faith, adopted the mark without knowledge of any prior use, and who used it sufficiently to acquire an established right therein, where the second user had registered the mark in the United States Patent Office and had used it abroad prior to use by the first user in Ohio, but had not used it anywhere in the United States prior to the first user in Ohio, and where there has been no abandonment or laches by the first user in Ohio?

4. Is the first to adopt and use a technical trade-mark in the United States, but who has limited his use thereof to the State of Ohio and who has thereafter registered the trade-mark in the State of Ohio, pursuant to the laws governing local registration, rendered powerless to enjoin the use of the same mark by a later user in the State of Ohio, where the first user had used the mark in different colors, including red, and where the second user after receiving notice of infringement at the commencement of its use, continued to use the mark but restricted itself to the employment of red color?

5. Did not the Court of Appeals fail to follow the decisions of this Court obligating it to apply the local law

under the facts and circumstances of the case, and is not the local law to the effect that the first to adopt and use in the State of Ohio a technical trade mark of distinctive shape is entitled to the exclusive use thereof in Ohio, regardless of color, under common law rights, as against a later user who enters the field after due notice of infringement but who restricts his use of the mark to one color?

6. Where the parties are before the Federal Court in an action for technical trade-mark infringement and unfair competition, based on diversity of citizenship, and where the amount in controversy, exclusive of interest and costs exceeds $3,000.00, and where the first user of the mark in Ohio has used it only in the State of Ohio, and has thereafter registered it in the State of Ohio, should not the local law govern the disposition of the rights as between the parties, and has a prior federal registration by the opposing party any bearing on the case?

7. Did not the Court of Appeals err in holding as a fact that petitioner had used several different trade-marks before the infringement began, but dropped all of them except one after respondent started its infringement of that one; that petitioner had used several colors of that mark before the infringement began but afterwards used only one color, which was the color chosen by the infringer; that petitioner remodeled its trade-mark to make it more closely resemble that of the infringer; and, if the Court was correct in its finding of all these facts, was not the petitioner within its rights in doing so?

8. Did not the Court of Appeals err in holding that the case of *United Drug Co. vs. Rectanus* (248 U. S. 90) "has no application to the facts in the case at bar"? The Court quotes the incidental statement in the Supreme Court opinion "that there was nothing to sustain the allegation of unfair competition aside from the question of trade-mark infringement" as if that meant that the decision of the Supreme Court would have been the reverse if there

had been unfair competition. Does not the *Rectanus* decision lay down the doctrine that there is nothing to prevent the State of Ohio from conferring affirmative rights upon the first user of a trade-mark in Ohio, exclusive in Ohio, as against others whose use of the trade-mark there began at a later time than the first user? Does not the State of Ohio confer such affirmative rights, as illustrated by the decisions in *Drake Medicine Co. vs. Glassner,* 68 Ohio State 337, 67 N. E. 722; and *Safe Cabinet Co. vs. Globe Wernicke,* 3 Ohio Appeal 24, 38?

9. Is *United Drug vs. Rectanus* (248 U. S. 90) authority for granting relief prayed for in a counterclaim, where the counterclaimant was the first user of the technical trade-mark within the territorial limits of the State of Ohio? In the *Rectanus* case the first user did not file a counterclaim and such question is believed to be now before this Court for the first time.

10. Where one has registered a technical trade-mark in the United States Patent Office and has brought suit against a prior user thereof in the United States for infringement of said registered mark, and for unfair competition in the use of a certain color in which the mark is displayed, and where the first user filed a counter-claim for infringement of its common law rights, and where the first user restricted his use to the State of Ohio and subsequently registered the mark in the State of Ohio, does the first user lose the right to the relief prayed for in the counterclaim, by virtue of withdrawal by the prior registrant of his claim for relief based on registration, and by virtue of restricting his claim for relief solely on unfair competition?

11. Where the District Court and the Court of Appeals adopted the findings of fact made by the Special Master, and where the findings of the Master were that petitioner was the first to use the mark in the State of Ohio

and where the Master found that petitioner had used the mark sufficiently to make it constitute the trade mark of petitioner prior to the entry of the respondent into the field, but had used *the color red* sporadically in connection with the mark, did not the Court of Appeals, when summarizing the findings by the Master, err in applying the term "sporadic" to petitioner's use of the flying horse generally by saying: "Prior to 1940, Oil City sporadically used the sign of the white horse on billboards and cut-out signs, one of which had on it a gray horse with red outlined wings"?

12. Where the Special Master held that there was insufficient difference between the shape of the flying horses used as trade marks by petitioner and respondent to distinguish one from the other, and where the Special Master held that the difference was insufficient to avoid confusion, and where the complaint makes no charge of any difference in shape between petitioner's early and later uses, did not the Court of Appeals err in holding that petitioner remodeled its mark to conform more closely to the shape of mark as used by respondent, and did not the Court of Appeals err in drawing conclusions adversely to the petitioner from such finding?

13. Where the Special Master found that petitioner's partial cessation of the mark did not amount to abandonment and that petitioner was not guilty of laches, and where respondent took no exception to the Master's holding, did not the Court of Appeals err in deciding against petitioner as though abandonment had occurred, and as though petitioner had been guilty of laches in asserting its rights against respondent?

14. When the Court of Appeals held (with the District Court and the Master) that petitioner "had made sufficient use of a mark of a flying horse to acquire a prior right therein" before petitioner entered the territory, and that "the difference in color between a flying red horse and a

flying white horse was not sufficient to avoid confusion in the public mind'' was not the Court in error in also holding that the confusion which petitioner ''seeks to abate was of its own creation and it caused the unfair competition in trade for which it asks relief,'' and was not the Court additionally in error in failing to find that respondent perpetrated a fraud, *ab initio,* by using the symbol of a flying horse after having received a notice of infringement from petitioner?

15. Where one party to an action for infringement has been held to possess established rights in a technical trade-mark in advance of a second user, is not the first party entitled to an injunction and an accounting against the second user as well as to recover the costs in all tribunals against the second user?

16. When the District Court dismissed the Complaint as to one defendant (John Roski) but failed to award him costs, and the Court of Appeals on appeal by the plaintiff affirmed the dismissal and on account thereof awarded him costs in the Appellate Court only, should not the Court of Appeals have instructed the District Court to amplify its dismissal by awarding him costs in that Court and before the Master?

REASONS RELIED UPON FOR THE GRANTING OF A WRIT OF CERTIORARI.

The Circuit Court of Appeals has decided an important question of local law in a way probably in conflict with applicable local decisions. The Court wrongly interpreted the Ohio law, which is definite that the owner of a technical trade-mark can prohibit the use thereof in a color different from that in which he has used it.

The Circuit Court of Appeals has decided an important question of trade-mark law which has not been and should be settled by this Court, namely, whether the owner

of a technical trade-mark of distinctive shape owes a duty to an infringer to refrain from using the mark in the particular color which the infringer has employed.

The Circuit Court of Appeals has decided a question of trade-mark law in a way probably in conflict with the most applicable decision of this Court, namely, the decision in *United Drug Co. vs. Theodore Rectanus Co.* (248 U. S. 90).

It is believed that this is the first time that the Supreme Court of the United States has had before it a record by which the Court could decide the rights of a counter-claiming defendant, who is the first user, in a State, to prohibit infringement of its mark in that State, by a trespasser who has entered the field over the protest of the first user. The counterclaim in this case supplies the factor which was missing in the case of *United Drug vs. Rectanus* and prevented the Court from settling in that case (as it can in this) the right of a local first user to prohibit use in his territory by a second user, who had never before used the mark in that territory but has used it abroad.

The Circuit Court of Appeals by restricting the first user's use of his trade-mark of distinctive shape to a particular color, so as to avoid interference with an infringer's use of that mark in another color, has so far departed from the accepted and usual course of judicial proceedings, and so far sanctioned such a departure by the lower Court, as to call for an exercise of this Court's power of supervision.

The questions presented by this petition are of great consequence, as they affect the right of every owner of a technical trade-mark throughout the United States. It is of tremendous importance to know whether a person who adopts and uses a technical trade-mark in a given territory can lose his exclusive right to such use, as against a subsequent user who after receiving notice of infringement continues to use the mark; and it is equally important to ascertain whether such infringer, by specializing in one color, can not only acquire a superior right as against the first

user, to use the technical trade-mark but can also deprive the first user of the right to use the color which the infringer has appropriated.

Inasmuch as the petitioner adopted the symbol of a flying horse as his trade-mark for petroleum products in good faith and without knowledge of any prior use thereof by another, and inasmuch as the mark was used by petitioner solely in the State of Ohio, and since there is the requisite diversity of citizenship, the rights of the respective parties should be determined under local law. (*Erie Railroad vs. Tompkins*, 304 U. S. 64.) The Circuit Court of Appeals in this case, however, has decided an important question of local law in a way that is in conflict with applicable local decisions.

Although the District Court held that petitioner is entitled to protection under *United Drug v. Rectanus*, 248 U. S. 90, nevertheless the protection granted fell far short of that which this Court indicated as allowable. In that case, the defendant did not, as did petitioner in the case at bar, file a counter-claim for infringement and seek an injunction and accounting, hence such questions have not heretofore been determined by this Court. It is to the interest of all, that the common law right of an owner of a technical trade-mark as against an infringer be settled by this Court.

Wherefore your petitioner prays that a Writ of Certiorari may be issued under the seal of this Court directed to the United States Circuit Court of Appeals for the Sixth Circuit commanding that Court to certify and send to this Court, on a date to be designated, a full and complete transcript of the record and all proceedings of the Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court, and that the judgment of the Circuit Court of Appeals be reversed, and that the District Court be instructed to dismiss

respondent's complaint, and to grant petitioner's Counter-Claim and the relief prayed therein.

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